

Redacted

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT of NEW YORK**

In re:
PURDUE PHARMA L.P. et al.,
Debtors,

Chapter 11
Case No. 19-23649 (RDD)

**EXPERT REPORT OF
WILLIAM P. HRYCAY, CFA**

NERA ECONOMIC CONSULTING, INC.

June 15, 2021

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I. ASSIGNMENT AND QUALIFICATIONS

A. ASSIGNMENT

1. I have been retained by counsel for the Attorneys General of twenty-four states and the District of Columbia (“Ad Hoc Group of Non-Consenting States”) as part of the corporate debt restructuring of Purdue Pharma L.P. and its related entities (“Purdue Pharma Restructuring Proceedings”).

2. I have been asked to estimate the expected net asset value of certain assets held by the Sackler Family (“Sackler Family Net Assets”) over the next ten years, taking into account proposed payments by them (“Proposed Payments”) under the current proposed Purdue Pharma restructuring plan (“Proposed Purdue Pharma Restructuring Plan”), which was filed on June 3, 2021. Under the Proposed Purdue Pharma Restructuring Plan, the Sackler Family (as defined below) would pay a total of \$4,275 million between 2021 and 2030.¹ As part of the Purdue Pharma Restructuring Proceedings, the Sackler Family provided statements of net assets (“Sackler Family Net Asset Statements”) that describe the assets and liabilities of the family holdings. I have also been asked to calculate the net present value of the Proposed Payments.

3. My opinions are subject to revisions based on new information (including new reports or testimony by other proffered experts, or new filings by counsel of other parties to the Purdue Pharma Restructuring Proceedings), which subsequently may be provided to, or obtained by, me.

4. The materials relied upon in the preparation of this report are listed in Exhibit 1.

¹ Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors, June 3, 2021, pp. 153-154.

Exhibit 1. *Materials Relied Upon – See Attached*

B. QUALIFICATIONS

5. I am an Associate Director with the Securities and Finance Practice at NERA Economic Consulting. I have over 20 years of experience in the field of finance and economics. My project work has included analysis of financial forecasts, discount rates, valuation of companies and fixed income securities, analysis of derivatives, and other financial analysis. My project work also includes analysis of projected portfolio performance, expected returns to equity investments, analysis of real estate investment value, among other financial analyses.

6. I hold a Master's in Business Administration in Finance at the Stern School of Business at New York University and an undergraduate degree in economics at Wesleyan University. I am a CFA® charterholder.

7. My curriculum vitae is attached as Exhibit 2.

Exhibit 2. *Expert CV – See Attached*

8. NERA Economic Consulting is being compensated for its time at standard billing rates and its out-of-pocket expenses at cost. My current hourly rate is \$695. The rates charged for other NERA personnel working at my direction on this matter range from \$250 to \$1,050 per hour. NERA's compensation is not contingent upon the nature of my findings or on the outcome of this matter.

II. SUMMARY OF FINDINGS

9. At the request of Counsel, I have analyzed the following questions:

- a. What is the expected net value of the Sackler Family Assets through 2030 after accounting for the Proposed Payments?
- b. What is the net present value of the Proposed Payments?

10. My conclusions are as follows:

- a. The Sackler Family Net Asset Statements indicate that the net assets of the Sackler Family were \$10,707 million as of the most recent reporting dates in 2019 and 2020. As of 2030, after the Proposed Payments, the expected net value of the Sackler Assets would be \$14,574 million.
- b. The estimated present values of the Proposed Payments are in the range of \$2,761 million to \$3,973 million, depending on the discount rate used.

III. BACKGROUND

A. FACTUAL BACKGROUND

11. Purdue Pharma L.P. (“Purdue Pharma”) is a pharmaceutical company that manufactures, sells and distributes, among other products, opioid pain medications. Purdue Pharma’s most prominent product was an opioid known as OxyContin. Purdue Pharma has been subject to numerous civil litigations in state and federal courts alleging that the company engaged in false and misleading marketing activities when marketing OxyContin.²

12. Purdue Pharma filed for Chapter 11 Bankruptcy on September 15, 2019.³ On June 3, 2021, a proposed plan of reorganization was filed. The Proposed Purdue Pharma Restructuring Plan would require the Sackler Family to make annual payments from 2021 to 2030.⁴ The total amount of these payments equals \$4,275 million.⁵

² Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors, June 3, 2021, p. 3.

³ Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors, June 3, 2021.

⁴ Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors, June 3, 2021.

⁵ Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors, June 3, 2021, pp. 153-154.

B. THE SACKLER FAMILY ASSETS

13. As part of the Purdue Pharma Restructuring Proceedings, the Sackler Family has provided estimates of the value of its financial and other tangible assets, including assets belonging to trusts of the Sackler Family (“Sackler Family Net Asset Statements” or “Net Asset Statements”).⁶ The Sackler Family reported its net assets in two major groups: Side A (the Mortimer Side) and Side B (the Raymond Side). Side A and Side B will be collectively referred to as the “Sackler Family.” The Mortimer Side reported that as of September 30, 2019, its assets were estimated to be worth [REDACTED] million, its liabilities were estimated to be worth [REDACTED] million, and the net asset value was [REDACTED] million. The Raymond Side reported as of September 30, 2020 its assets were worth [REDACTED] million, its estimated liabilities were [REDACTED] million, and its net asset value was [REDACTED] million.⁷

14. The Net Asset Statements allocate the assets and liabilities into several categories such as cash and equivalents, accounts receivable and prepaid expenses, marketable securities and hedge funds, independent associated companies, notes receivable, other investments, private equity investments, real estate investments, residential real estate, life insurance surrender value, retirement accounts, and artwork (including jewelry). The categories used by the Mortimer side and the Raymond side are similar, but not identical.

15. Exhibit 3, below, summarizes the reported net asset values of Side A Mortimer Side of the Sackler Family. The largest categories of assets are [REDACTED]
[REDACTED]

⁶ “Mortimer-side Net Asset Presentation,” January 15, 2020, MSDF80000001, and “Raymond-Side Informational Presentation,” November 22, 2019, “Raymond-side Informational Presentation Supplemental Materials,” November 22, 2019, “Raymond-Side Net Assets report, January 15, 2020, “Raymond-Side Updated Net Assets report, March 1, 2021.

⁷ Estimated net asset values are calculated as the sum of values from individual asset categories and may not equal the reported total due to rounding. *See, Exhibit 3.*

Exhibit 3. Side A "Mortimer Side" Sackler Family Net Assets as of September 30, 2019

Asset or Liability Class Name (1)	Description (2)	Value (3)
Assets		
Cash/Cash Equivalents (US)	Deposits, money market funds and Treasury bills held in bank accounts.	\$
Cash/Cash Equivalents (ex-US)		
Investments in brokerage accounts/ Quoted investments (US)	Investments in equities, bonds, limited partnerships, mutual funds or other marketable securities held in brokerage and custody accounts.	
Investments in brokerage accounts/ Quoted investments (ex-US)		
Investments in related and third parties (US)	Investments in non-IAC subsidiaries, joint ventures, related parties, third party investment funds or private companies managed by third-party or related party managers. Valuations of investments are based on most recent fund statements (primarily September 30, 2019), values from latest K-1, capital and partnership statements, net of subsequent cash movements, historical cost or internal valuation estimates.	
Investments in related and third parties (ex-US)		
Accounts Receivable (US)	Amounts to be received from investment redemptions, and receivables from related and third parties.	
Accounts Receivable (ex-US)		
Loans to third parties (US)	Financing extended to third parties.	
Loans to third parties (ex-US)		
Notes Receivable from Related Parties (US)	Holder of promissory note for financing extended to related parties.	
Notes Receivable from Related Parties (ex-US)		
Retirement Accounts (US)	IRA, 401(k) or other similar types of account held in third-party accounts.	
Residential Real Estate (US)	Direct or indirect ownership in residences held principally for the purpose of inhabitation.	
Residential Real Estate (ex-US)		
Other Real Estate (US)	Direct or indirect ownership in real estate not held for the purpose of inhabitation.	
Other Real Estate (ex-US)		
Collectibles and other personal property (US)	Includes paintings, jewelry, or other collectibles.	
Collectibles and other personal property (ex-US)		
Other Misc Assets (US)	Includes prepayments, deposits, life insurance policies and rights to other assets and intellectual property.	
Other Misc Assets (ex-US)		
IAC	Investments in and loans to IACs (Independent Associated Companies). IACs include pharmaceutical and healthcare companies that operate outside of the United States	
Total Assets		\$
Liabilities		
Accounts Payable	Money owed to an individual, entity, third-party or related party.	\$
Notes Payable	Promissory note for financing from related parties.	
Debt - Secured	Financing from third parties secured by collateral.	
Debt - Unsecured	Financing from third parties not secured by collateral.	
Other Liabilities	Includes accrued expenses, tenant deposits and deferred rental income.	
Tax Obligation	Taxes payable and estimate of tax obligation for 2019 prepared by accountants.	
Est. Tax Liability: IAC	For Illustrative and directional purposes only, the liability reflects a 33% tax obligation applied to the value of each entity's interest in IAC.	
Est. Tax Liability: Unrealized Gains	For Illustrative and directional purposes only, the liability reflects a 33% tax obligation on the unrealized gains related to the estimated unrealized gains associated with assets on the balance sheet.	
Total Liabilities		\$
Net Assets		\$

Notes and Sources:

- Asset or liability class names, descriptions, and values are from "Mortimer-side Net Asset Presentation," January 15, 2020.

16. Exhibit 4 below, summarizes the reported asset values of Side B, the Raymond Side, of the Sackler Family. The largest categories of assets are [REDACTED]

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Exhibit 4. *Side B "Raymond Side" Sackler Family Assets as of September 30, 2020*

Asset or Liability Class Name (1)	Description (2)	Value (3)
Assets		
Cash and Cash Equivalents	Typically bank deposits and money market funds	\$ [REDACTED]
Accounts Receivable and Prepaid Expenses	Typically tax refunds receivable and amounts to be received from the redemption of hedge fund investments (generally not significant amounts)	[REDACTED]
Marketable Securities and Hedge Funds	Typically investments made directly or indirectly in stocks or other marketable securities and hedge funds typically managed by third-party managers	[REDACTED]
Independent Associated Companies (IACs)	Investments in and loans to IACs (Independent Associated Companies). IACs include pharmaceutical and healthcare companies that operate outside of the United States	[REDACTED]
Notes Receivable	Notes receivable from various individuals and/or entities	[REDACTED]
Other Investments	Investments made directly or indirectly that do not fall into other categories (generally not significant amounts)	[REDACTED]
Private Equity Investments	Typically investments made directly or indirectly in private companies, private equity funds, venture funds or private credit funds typically managed by third-party managers	[REDACTED]
Real Estate Investments	Typically investments made directly or indirectly in real estate typically managed by third-party managers (excludes ownership in residences owned primarily for the purpose of inhabitance)	[REDACTED]
Residential Real Estate	Typically ownership in residences held principally for the purpose of inhabitance	[REDACTED]
Life Insurance -Surrender Value	Surrender value of life insurance policies	[REDACTED]
Retirement Accounts	Typically IRA, 401(k)or other similar types of accounts (generally not significant amounts)	[REDACTED]
Artwork (including Jewelry)	Typically paintings	[REDACTED]
Total Assets		\$ [REDACTED]
Liabilities		
Accounts Payable	Money owed for services provided.	\$ [REDACTED]
Long-Term Debt	Note payable that has a maturity of greater than 12 months.	[REDACTED]
Mortgage Debt	A long-term loan used to finance the purchase of residential real estate.	[REDACTED]
Short-Term Debt	Note payable that has a maturity of less than 12 months.	[REDACTED]
Est. Tax Liability: IACs	For illustrative and directional purposes only, the liability reflects a 33% tax obligation applied to the value of each entity's interest in IACs.	[REDACTED]
Est. Tax Liability: Unrealized Gains	For Illustrative and directional purposes only, the liability reflects a 33% tax obligation on the unrealized gains related to the estimated unrealized gains associated with assets on the balance sheet.	[REDACTED]
Total Liabilities		\$ [REDACTED]
Net Assets		\$ [REDACTED]

Notes and Sources:

- Asset or liability class names, descriptions, and values are from "Raymond-side Updated Net Assets Report," March 1, 2021.

⁸ I understand that the value of the Independent Associated Companies was based on an estimated aggregate valuation. I have used this valuation for the purposes of this report. The fair market value of these assets may be different than stated.

IV. ESTIMATED VALUE OF THE SACKLER FAMILY ASSETS THROUGH 2030

A. ESTIMATED VALUE AS OF MARCH 31, 2021

17. The Sackler Family Net Asset Statements for the Mortimer and Raymond Sides of the Sackler Family assets and liabilities are dated September 30, 2019, and September 30, 2020, respectively. I estimated the values as of March 31, 2021.⁹ The Sackler Family Net Asset Statements do not provide detailed listings of the assets that would enable a specific estimate of the increase in value. For example, if the Net Asset Statements stated that the assets included \$10 million in Apple Inc. stock as of September 30, 2019, then the value of the assets as of March 2021 could be estimated by adjusting the \$10 million for the return on Apple stock between those two dates.

18. An investment is a current commitment of money or other assets with the expectation of realizing benefits in the future.¹⁰ The expected benefits of an investment vary by the type of asset. “[T]he notion that risk matters, and that riskier investments should have higher expected returns than safer investments, to be considered good investments, is intuitive and central to risk and return models in finance. Thus, the expected return on any investment can be written as the sum of the risk-free rate and a risk premium to compensate for the risk.”¹¹

19. Exhibit 5, below, provides the estimated net asset value of the asset and liabilities as of March 31, 2021 for Side A, (the “Mortimer Side”). The exhibit shows the Side A net asset value as of September 30, 2019 by asset category, the proxy used to estimate the performance of the assets since the estimation, and the estimated value as of March 31, 2021. Because the Net Asset Statements only include broad categories of assets, I have estimated the change in the assets values to reflect the performance of similar broad asset categories. For example, the Side B (Raymond Side) assets include a category called “Retirement Accounts” which was estimated to be worth █ million as of September 30, 2020. I have assumed these assets experienced the same return as a portfolio that consisted of 60 percent in the S&P 500 and 40 percent in the S&P Corporate Bond Index. Between

⁹ March 31, 2021 is as of date of the estimated annual returns from BlackRock Investment Institute. See, Section IV.B.

¹⁰ Zvi Bodie, Alex Kane, and Alan J. Marcus, Essentials of Investments, Seventh Edition, 2007, p. 2.

¹¹ Damodaran, Aswath, “Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2020 Edition,” NYU Stern School of Business, 2020, p. 5.

September 30, 2020 and March 31, 2021, the return of the S&P 500 was 18.1 percent and the return of the S&P Corporate Bond Index was -3.3% percent. I applied a 60/40 weighting to estimate a blended return of 9.6 percent. I then applied this 9.6 percent return to the September 30, 2020 asset value to estimate that the current value of the Retirement Account assets is approximately [REDACTED] million as of March 31, 2021.

Exhibit 5. Estimated Net Asset Value for the Side A "Mortimer Side" Sackler Family Assets as of March 31, 2021

Asset or Liability Class Name (1)	Selected Estimate of Return from 2019 to 2021 (2)	Value as of 9/30/2019 (3)	18-Month Return (4)	Value as of 3/31/2021 (5)
Assets				
Cash/Cash Equivalents (US)	S&P US Treasury Bill	\$ [REDACTED]	1.2%	\$ [REDACTED]
Cash/Cash Equivalents (ex-US)	Blackrock ICS Euro Liquidity Fund		-0.9	
Investments in brokerage accounts/ Quoted investments (US)	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index		20.5	
Investments in brokerage accounts/ Quoted investments (ex-US)	60/40 weighted average return of MSCI World Ex US Index and S&P International Corporate Bond Index		9.7	
Investments in related and third parties (US)	S&P 500 Equity Index		33.5	
Investments in related and third parties (ex-US)	MSCI World Ex US Index		10.6	
Accounts Receivable (US)	S&P US Treasury Bill		1.2	
Accounts Receivable (ex-US)	Blackrock ICS Euro Liquidity Fund		-0.9	
Loans to third parties (US)	S&P 500 Bond Index		1.1	
Loans to third parties (ex-US)	S&P International Corporate Bond Index		8.5	
Notes Receivable from Related Parties (US)	S&P 500 Bond index		1.1	
Notes Receivable from Related Parties (ex-US)	S&P International Corporate Bond Index		8.5	
Retirement Accounts (US)	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index		20.5	
Residential Real Estate (US)	FHFA House Price Index (HPI)		9.4	
Residential Real Estate (ex-US)	Residential Property Prices for Euro area		6.8	
Other Real Estate (US)	MSCI US REIT Index		-5.8	
Other Real Estate (ex-US)	MSCI World Real Estate Index		-3.1	
Collectibles and other personal property (US)	Average return on art as estimated in ² Citi report, "The Global Art Market"		8.1	
Collectibles and other personal property (ex-US)	Average return on art as estimated in ² Citi report, "The Global Art Market"		8.1	
Other Misc Assets (US)	S&P US Treasury Bill		1.2	
Other Misc Assets (ex-US)	Blackrock ICS Euro Liquidity Fund		-0.9	
IAC	MSCI World Ex US Index		10.6	
Total assets		\$ [REDACTED]		\$ [REDACTED]
Liabilities				
Accounts Payable	S&P US Treasury Bill	\$ [REDACTED]	1.2%	\$ [REDACTED]
Notes Payable	S&P 500 Bond Index		1.1	
Debt - Secured	S&P 500 Bond Index		1.1	
Debt - Unsecured	S&P 500 Bond Index		1.1	
Other Liabilities	S&P US Treasury Bill		1.2	
Tax Obligation	S&P US Treasury Bill		1.2	
Est. Tax Liability: IAC	MSCI World Ex US Index		10.6	
Est. Tax Liability: Unrealized Gains	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index		20.5	
Total liabilities		\$ [REDACTED]		\$ [REDACTED]
Net asset value		\$ [REDACTED]		\$ [REDACTED]

Notes and Sources:

- Asset or liability class names are from "Mortimer-side Net Asset Presentation," January 15, 2020.
- FactSet, FRED and BlackRock are the sources for data.

¹ Value as of December 31, 2020. The value as of March 31, 2021 has not been updated.

² Annualized measure of return for Total Art "The Global Art Market," published December 2019, Citigroup, page 10.

20. Exhibit 6, below, presents the same estimates for Net Asset Values for Side B.

Exhibit 6. Estimated Net Asset Value for the Side B "Raymond Side" Sackler Family Assets as of March 31, 2021

Asset or Liability Class Name (1)	Selected Estimate of Return from 2020 to 2021 (2)		Value as of 9/30/2020 (3)	6-Month Return (4)	Value as of 3/30/2021 (5)
Assets					
Cash and Cash Equivalents	S&P US Treasury Bill	\$		0.1%	\$
Accounts Receivable and Prepaid Expenses	S&P US Treasury Bill			0.1	
	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index				
Marketable Securities and Hedge Funds				9.6	
Independent Associated Companies (IACs)	MSCI World Ex US Index			18.5	
Notes Receivable	S&P 500 Bond Index			-3.3	
	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index				
Other Investments				9.6	
	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index				
Private Equity Investments				9.6	
Real Estate Investments	MSCI US REIT Index			19.2	
Residential Real Estate	FHFA House Price Index (HPI)			4.3	
Life Insurance -Surrender Value	S&P US Treasury Bill			0.1	
	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index				
Retirement Accounts				9.6	
	Average return on art as estimated in ¹ Citi report, "The Global Art Market"				
Artwork (including Jewelry)				2.6	
Total assets		\$			\$
Liabilities					
Accounts Payable	S&P US Treasury Bill	\$		0.1%	\$
Long-Term Debt	S&P 500 Bond index			-3.3	
Mortgage Debt	MSCI US REIT Index			19.2	
Short-Term Debt	S&P 500 Bond index			-3.3	
Est. Tax Liability: IACs	MSCI World Ex US Index			18.5	
	60/40 weighted average return of S&P 500 Equity Index and S&P 500 Bond Index				
Est. Tax Liability: Unrealized Gains				9.6	
Total Liabilities		\$			\$
Net Assets		\$			\$

Notes and Sources:

- Asset or liability class names are from "Raymond-side Updated Net Assets Report," March 1, 2021.

- FactSet, FRED and BlackRock are the sources for data.

¹ Annualized measure of return for Total Art "The Global Art Market," published December 2019, Citigroup, page 10.

21. These calculations assume that the Sackler Assets achieved average performance using data on standard benchmarks and indices such as the S&P 500 equity and bond indices.

B. ESTIMATED FUTURE GROWTH RATES BY ASSET CLASS

22. Next, I estimate the expected future growth rates of the Sackler assets by relying on expected rates of returns as reported by publicly available sources. Financial services firms sometimes publish estimates of the expected returns for various financial asset categories. BlackRock is the largest asset manager in the United States, with \$7,429,632 million in assets under management as of December 31, 2019.¹² The BlackRock Investment Institute published its Capital Market Assumptions, which includes its estimates of the mean expected return for a variety of asset categories over the next ten years.¹³

23. For each asset category, I selected the most closely matching asset category from the BlackRock Investment Institute. I then applied the estimated rate of return for the that asset category for the period 2021 to 2030. Exhibit 7, below, presents the selected category from BlackRock Investment Institute, and BlackRock's selected 10-year rate of estimated return for the category for the Mortimer Net Assets. For one category, collectables and other personal properties, the BlackRock Institute Estimates did not provide an estimated return for a comparable asset class. For this asset class, I have used the estimated 5.3% annual rate of return on investments in art from 1985 to 2018.¹⁴

¹² WillistowersWatson, Global Asset Manager AuM tops US\$100 trillion for the first time,” October 19, 2020. See, <https://www.willistowerswatson.com/en-US/News/2020/10/global-asset-manager-aum-tops-us-dollar-100-trillion-for-the-first-time>.

¹³ BlackRock Investment Institute, May 2021, data as of March 2021. Accessed at <https://www.blackrock.com/institutions/en-us/insights/charts/capital-market-assumptions>. These return estimates are generally consistent with returns estimated by other financial institutions.

¹⁴ See, Citi GPS, “The Global Art Market: Drivers of Evolution,” December 2019, p. 9. The Citi GPS report, “The Global Art market and Covid-19: Innovating and Adapting” December 2020 states that the return on art in the first seven months of 2020 was 5.5%.

Exhibit 7. Side A "Mortimer Side" Net Assets and Corresponding BlackRock Investment Category and Estimated Annual Return

Asset or Liability Class Name (1)	Asset Category (2)	Selected Estimate of Expected Return 2021 to 2030 (3)	2021-2030 Annual Return Rate (4)
Assets			
Cash/Cash Equivalents (US)	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8%
Cash/Cash Equivalents (ex-US)	Global ex-U.S. government bonds	Bloomberg Barclays Global Aggregate	0.9
Investments in brokerage accounts/ Quoted investments (US)	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7
Investments in brokerage accounts/ Quoted investments (ex-US)	Global 60/40 portfolio	BlackRock Proxy	5.4
Investments in related and third parties (US)	U.S. large cap equities	MSCI USA Index	6.6
Investments in related and third parties (ex-US)	Global ex-U.S. large cap equities	MSCI World ex-US Index	7.4
Accounts Receivable (US)	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8
Accounts Receivable (ex-US)	Global ex-U.S. government bonds	Bloomberg Barclays Global Aggregate	0.9
Loans to third parties (US)	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Loans to third parties (ex-US)	World bonds	Estimated return based on Global 60/40 Portfolio and Global ex-U.S. large cap equities	2.4
Notes Receivable from Related Parties (US)	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Notes Receivable from Related Parties (ex-US)	World bonds	Estimated return based on Global 60/40 Portfolio and Global ex-U.S. large cap equities	2.4
Retirement Accounts (US)	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7
Residential Real Estate (US)	U.S. core real estate	BlackRock Proxy	6.3
Residential Real Estate (ex-US)	Global core real estate	BlackRock Proxy	2.7
Other Real Estate (US)	U.S. core real estate	BlackRock Proxy	6.3
Other Real Estate (ex-US)	Global core real estate	BlackRock Proxy	2.7
Collectibles and other personal property (US)	Art	Citi estimate of average return on art between ¹ 1985-2018	5.3
Collectibles and other personal property (ex-US)	Art	Citi estimate of average return on art between ¹ 1985-2018	5.3
Other Misc Assets (US)	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8
Other Misc Assets (ex-US)	Global ex-U.S. government bonds	Bloomberg Barclays Global Aggregate	0.9
IAC	Global ex-U.S. large cap equities	MSCI World ex-US Index	7.4
Liabilities			
Accounts Payable	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8%
Notes Payable	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Debt - Secured	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Debt - Unsecured	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Other Liabilities	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8
Tax Obligation	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8
Est. Tax Liability: IAC	Global ex-U.S. large cap equities	MSCI World ex-US Index	7.4
Est. Tax Liability: Unrealized Gains	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7

Notes and Sources:

- Asset or liability class names are from "Mortimer-side Net Asset Presentation," January 15, 2020.
- Asset categories and expected annual return rate are from "BlackRock asset class return, uncertainty, volatility and correlation expectations," updated May 2021 with data as of March 31, 2021.

¹ Blackrock does not provide an estimate for the expected return of collectibles and other personal property assets. The expected return is assumed to be similar to the expected return of all art estimated in "The Global Art Market," published December 2019.

24. Exhibit 8, below, presents the selected category from BlackRock Investment Institute, and BlackRock's selected 10-year rate of estimated return for the category for the Raymond Net Assets.

Exhibit 8. Side B "Raymond Side" Net Assets and Corresponding BlackRock Investment Category and Estimated Annual Return

Asset or Liability Class Name (1)	Asset Category (2)	Selected Estimate of Expected Return 2021 to 2030 (3)	2021-2030 Annual Return Rate (4)
Assets			
Cash and Cash Equivalents	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8%
Accounts Receivable and Prepaid Expenses	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8
Marketable Securities and Hedge Funds	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7
Independent Associated Companies (IACs)	Global ex-U.S. large cap equities	MSCI World ex-US Index	7.4
Notes Receivable	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Other Investments	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7
Private Equity Investments	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7
Real Estate Investments	U.S. core real estate	BlackRock Proxy	6.3
Residential Real Estate	U.S. core real estate	BlackRock Proxy	6.3
Life Insurance -Surrender Value	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8
Retirement Accounts	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7
Artwork (including Jewelry)	Art	Citi estimate of average return on art between ¹ 1985-2018	5.3
Liabilities			
Accounts Payable	U.S. cash	Citigroup 3-Month Treasury Bill Index	0.8%
Long-Term Debt	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Mortgage Debt	U.S. agency MBS	Bloomberg Barclays US MBS Index	1.6
Short-Term Debt	U.S. aggregate bonds	Bloomberg Barclays U.S. Aggregate Index	1.8
Est. Tax Liability: IACs	Global ex-U.S. large cap equities	MSCI World ex-US Index	7.4
Est. Tax Liability: Unrealized Gains	60/40 US large cap equities and US aggregate bonds	60/40 MSCI USA Index and Bloomberg Barclays U.S. Aggregate Index	4.7

Notes and Sources:

- Asset or liability class names and descriptions are from "Raymond-side Updated Net Assets Report," March 1, 2021.
- Asset categories and expected annual return rate are from "BlackRock asset class return, uncertainty, volatility and correlation expectations," updated May 2021 with data as of March 31, 2021.

¹ Blackrock does not provide an estimate for the expected return of collectibles and other personal property assets. The expected return is assumed to be similar to the expected return of all art estimated in "The Global Art Market," published December 2019.

25. I then applied the estimated return rates to the estimated Sackler Family net assets as of March 31, 2021 (as described above) to estimate the change in the value of the assets between distribution dates. These estimates assume that the Sackler Family Assets will earn expected average returns.

26. At each distribution date, I assumed that certain assets were more likely to be used in that distribution. For example, I have assumed that the residential properties of the Sackler Family members would not be liquidated to make a distribution. I also understand that the Sackler Family is engaged in a sale process for the IAC assets. The sale process is designed to enable the Sackler Family to make the combined \$1,000 million distribution in June 2027. I therefore assumed that the sale proceeds from the IAC assets would be used for that distribution. After each distribution, I reduced the asset values by the Proposed Distribution Schedule payments.

27. Exhibit 9, below, presents the estimated Sackler Family Net Asset Value by Asset Category for Side A. The estimated net asset value of the Side A net assets will be [REDACTED] million as of June 30, 2030.

Exhibit 9. *Side A "Mortimer Side" Estimated Net Asset Value as of 2030*

Asset or Liability Class Name	Estimated Value As of 6/30/2030 ¹	
	(1)	(2)
Assets		
Cash/Cash Equivalents (US)	\$	
Cash/Cash Equivalents (ex-US)	\$	
Investments in brokerage accounts/ Quoted investments (US)	\$	
Investments in brokerage accounts/ Quoted investments (ex-US)	\$	
Investments in related and third parties (US)	\$	
Investments in related and third parties (ex-US)	\$	
Accounts Receivable (US)	\$	
Accounts Receivable (ex-US)	\$	
Loans to third parties (US)	\$	
Loans to third parties (ex-US)	\$	
Notes Receivable from Related Parties (US)	\$	
Notes Receivable from Related Parties (ex-US)	\$	
Retirement Accounts (US)	\$	
Residential Real Estate (US)	\$	
Residential Real Estate (ex-US)	\$	
Other Real Estate (US)	\$	
Other Real Estate (ex-US)	\$	
Collectibles and other personal property (US)	\$	
Collectibles and other personal property (ex-US)	\$	
Other Misc Assets (US)	\$	
Other Misc Assets (ex-US)	\$	
IAC	\$	
Total Assets	\$	
Liabilities		
Accounts Payable	\$	
Notes Payable	\$	
Debt - Secured	\$	
Debt - Unsecured	\$	
Other Liabilities	\$	
Tax Obligation	\$	
Est. Tax Liability: IAC	\$	
Est. Tax Liability: Unrealized Gains	\$	
Total Liabilities	\$	
Net Assets	\$	

Notes and Sources:

- Asset or liability class names are from "Mortimer-side Net Asset Presentation," January 15, 2020.
- Estimated values are calculated using historical return rates from FactSet and FRED.

Expected return rates are from "BlackRock asset class return, uncertainty, volatility and correlation expectations", updated May 2021 with data as of March 31, 2021. Return rates for Collectibles and other personal property are from "The Global Art Market," published December 2019, Citigroup, page 10.

¹ The calculation assumes that Plan Effective Date is June 30, 2021, and there are no distributions deferred to 2031.

28. Exhibit 10, below, presents the estimated Sackler Family Net Asset Value by Asset Category for Side B. The estimated net asset value of the Side B net assets will be [REDACTED] million as of June 30, 2030.

Exhibit 10. *Side B "Raymond Side" Estimated Net Asset Value as of 2030*

Asset or Liability Class Name	Estimated Value As of 6/30/2030 ¹
(1)	(2)
Assets	
Cash and Cash Equivalents	\$ [REDACTED]
Accounts Receivable and Prepaid Expenses	[REDACTED]
Marketable Securities and Hedge Funds	[REDACTED]
Independent Associated Companies (IACs)	[REDACTED]
Notes Receivable	[REDACTED]
Other Investments	[REDACTED]
Private Equity Investments	[REDACTED]
Real Estate Investments	[REDACTED]
Residential Real Estate	[REDACTED]
Life Insurance -Surrender Value	[REDACTED]
Retirement Accounts	[REDACTED]
Artwork (including Jewelry)	[REDACTED]
Total Assets	\$ [REDACTED]
Liabilities	
Accounts Payable	\$ [REDACTED]
Long-Term Debt	[REDACTED]
Mortgage Debt	[REDACTED]
Short-Term Debt	[REDACTED]
Est. Tax Liability: IACs	[REDACTED]
Est. Tax Liability: Unrealized Gains	[REDACTED]
Total Liabilities	\$ [REDACTED]
Net Assets	\$ [REDACTED]

Notes and Sources:

- Asset or liability class names are from "Raymond-side Updated Net Assets Report," March 1, 2021.
- Estimated values are calculated using historical return rates from FactSet and FRED. Expected return rates are from "BlackRock asset class return, uncertainty, volatility and correlation expectations", updated May 2021 with data as of March 31, 2021. Return rates for Artwork (including Jewelry) are from "The Global Art Market," published December 2019, Citigroup, page 10.

¹ The calculation assumes that Plan Effective Date is June 30, 2021, and there are no distributions deferred to 2031.

29. After accounting for the Proposed Payments, the estimated combined value of the Sackler Family Net Assets will be \$ [REDACTED] million as of June 30, 2030. These estimates assume that the Sackler Assets achieve average performance.

V. NET PRESENT VALUE OF THE PROPOSED PAYMENTS

30. I have also estimated the present value of the Proposed Payments using various discount rates. The Disclosure Statement states that it uses a range of discount rates to determine the reasonability of the Proposed Payments.¹⁵ I estimated the net present value of the Proposed Payments using these discount rates to range from \$2,761 million, using the 10% discount rate, to \$3,973 million, using the “time value of money” (estimated as the yield-to-maturity on a 10-year Treasury Bond.) The appropriate discount rate should reflect the credit risk of the Sackler Family with respect to the Proposed Payments. Higher discount rates result in a lower net present value of the Proposed Payments. The low end of the discount rate range does not account for any potential Sackler Family risk factors and may not reflect the most appropriate discount rate. For example, the complicated Sackler trust structures create additional potential risk factors and add to the complexity of identifying the appropriate discount rate(s). Exhibit 11, below, presents the estimated present value of the Proposed Payments at various discount rates.

¹⁵ Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors, June 3, 2021, p. 160.

Exhibit 11. *Present Value of Proposed Payments at Various Discount Rates*

Source ¹ (1)	Discount Rate (2)	Net Present Value As of June 30, 2021 (3)
10-Year Treasury Constant Maturity Rate	1.51%	\$ 3,973,401,706
Bloomberg Barclays U.S. Aggregate Index	1.84	3,910,960,978
ICE BofA BBB US Corporate Index Effective Yield	2.28	3,831,862,466
S&P Taxable Municipal AA Rated Bond Index	2.31	3,826,504,486
Lower-End Discount Rate Stated in the Disclosure	2.50	3,792,835,540
Upper-End Discount Rate Stated in the Disclosure	10.00	2,761,255,583

Notes and Sources:

- Distribution dates and amounts are from Settlement Agreement Term Sheet, filed on June 3, 2021. Plan Effective Date is assumed to be June 30, 2021.

¹ 10-year treasury constant maturity rate of 1.51% as of June 14, 2021 is from Federal Reserve Bank of St. Louis.

10-year expected returns of Bloomberg Barclays U.S. Aggregate Index are from "BlackRock asset class return, uncertainty, volatility and correlation expectations", updated May 2021 with data as of March 31, 2021.

ICE BofA BBB US Corporate Index Effective Yield of 2.28% as of June 11, 2021 is from Federal Reserve Bank of St. Louis.

S&P Taxable Municipal AA Rate Bond Index yield to maturity of 2.31% as of June 15, 2021 is from S&P Dow Jones Indices.

Upper and lower end range of the discount rates are from Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors, filed June 3, 2021, page 169.

VI. MISCELLANEOUS

31. My work is ongoing, and my opinions are subject to revision based on new information (including documentation, reports or testimony by other experts), which subsequently may be provided to, or obtained by, me.

By: 
 William P. Hrycay

June 15, 2021

Exhibit 1
Materials Relied Upon

Case Filings and Discovery Materials

- Debevoise & Plimpton, “Mortimer-side Net Asset Presentation,” January 15, 2020.
- Exhibit A, “Raymond-side Informational Presentation,” November 22, 2019.
- In re: Purdue Pharma L.P., et al, “Disclosure Statement for Fifth Amended Joint Chapter 11 Plan of Reorganization of Purdue Pharma L.P. and its Affiliated Debtors,” S.D.N.Y., June 3, 2021.
- In re: Purdue Pharma L.P., et al, “Notice of Filing of Report of the Special Committee,” S.D.N.Y., December 16, 2019.
- In re: Purdue Pharma L.P., et al, “Notice of Filing of Report of the Special Committee,” S.D.N.Y., May 29, 2020.
- Purdue-Sackler Settlement NPV June 7 Draft Proposal 4816-6397-6174 v.2.xlsx.
- Term Sheet, “Settlement Agreement Term Sheet.”

Academic and Industry References

- Aswath Damodaran, “Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2020 Edition,” March 19, 2020.
- BlackRock Investment Institute, “Capital Market Assumptions,” May 2021. Available at <https://www.blackrock.com/institutions/en-us/insights/charts/capital-market-assumptions>.
- CITI, “The Global Art Market and COVID-19,” December 2020.
- CITI, “The Global Art Market: Drivers of Evolution,” December 2019.
- Willis Towers Watson, “Global Asset Manager AuM tops US\$100 trillion for the first time,” October 19, 2020.
- Zvi Bodie, Alex Kane, and Alan J. Marcus, *Essentials of Investments*, Seventh Edition, 2007.

Data

- BlackRock ICS Euro Liquidity Fund. Available at <https://www.blackrock.com/cash/en-nl/products/228662/b/blackrock-ics-euro-liquidity-select-acc-fund>.
- FactSet Research Systems, Inc.
- Federal Reserve Bank of St. Louis, Economic Research (FRED)
- S&P Dow Jones Indices.



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Associate Director

Mr. Hrycay is an Associate Director in NERA's Securities and Finance Practice. He specializes in expert analysis relevant to securities litigation.

Mr. Hrycay has managed numerous projects related to litigation pertaining to securities disputes, corporate finance, business valuations, bankruptcy, fraudulent conveyance, distressed debt, lost profits, mergers and acquisitions, fairness opinions, joint ventures, derivatives, management options, estimated damages to securities holders, and cross-border intercompany debt. He has estimated damages in numerous securities fraud disputes. He also managed other projects concerning valuation of carve outs, liquidity stress testing for financial institutions, goodwill impairment testing and purchase price allocations, appraisals, and tax valuations. He has filed an expert report and provided deposition testimony on a U.S. federal court case regarding the effect of allegations upon the price of distressed bonds.

His areas of expertise include analysis of the following:

- Business enterprise valuation and valuation of public and private equity
- Analysis of debt and synthetic credit ratings
- Valuation of options, warrants, and complex financial instruments
- Structured products and credit derivative instruments
- Estimates of lost profits
- Financial benchmarking
- Analysis of business plans as prepared by company management, investment banks, consultants or other third parties for reasonableness and reliability
- Use of illiquidity and marketability discounts and premium for controlling interest, as applicable

Before joining NERA, Mr. Hrycay was a Vice President at Duff & Phelps in its Dispute Consulting practice.

Mr. Hrycay earned an MBA in Finance from New York University and is a CFA® charterholder. He earned a B.A. in Economics from Wesleyan University.

Education

Stern School of Business, New York University
MBA in Finance, 2002
Milija Rubezanin Scholarship for academic excellence in finance
Editor, *Stern Journal*,
Stern Scholar

Wesleyan University
B.A. in Economics, 1995
White Prize for excellence in economics in junior and senior years
Academic research assistant

Professional Experience

2013 –	NERA Economic Consulting, Securities and Finance Practice Associate Director, Senior Consultant
2005-2012	Duff & Phelps, LLC, Dispute Consulting Practice Vice President
2002-2005	Senior Associate
2001-2002	Stern School of Business, New York University Teaching Assistant, “Foundations of Finance” and “Corporate Finance”
2001	GE Capital, Structured Finance Group Summer Associate
2000	NERA Economic Consulting, Securities and Finance Practice Analyst
1998-2000	MPM Capital Advisors Analyst, Investment Banking and Consulting Practice
1998	NERA Economic Consulting, Securities and Finance Practice Associate Analyst
1997-1998	Associate Analyst
1995-1997	Research Associate

Honors and Professional Activities

CFA® Charterholder

Stern Scholar, Stern School of Business, NYU

Milija Rubezanin Scholarship, Stern School of Business, NYU for excellence in finance

White Prize, Wesleyan University, for excellence in economics in junior and senior years

Presentations

“The Use of Market Indicators in Bankruptcy Litigation,” *VALCON 2014: Contested Valuation Issues in Bankruptcy*, Las Vegas, Nevada, February 2014.

“Valuing Businesses in the 100 Year Storm.” Boston Bar Association, 2010.

Publications

“An Economist’s View of Market Evidence in Valuation and Bankruptcy Litigation,” (with Faten Sabry), NERA Working Paper, May 2014 (Republished in *Law360* as “Market Evidence In Solvency Disputes—An Economist’s View,” July 1, 2014, and republished by Harvard Law School Forum on Corporate Governance and Financial Regulation; website link <http://blogs.law.harvard.edu/corpgov/>).

“Use of Market Evidence in Delaware Appraisal Litigation,” NERA Working Paper, July 2019.

Project Experience

Reports and Testimony:

Expert Report and Deposition testimony, Atlantica Holdings, Inc., et al, v. Sovereign Wealth Fund “Samruk-Kazyna” JSC, 2019.

Overview:

Conducted and supervised business valuations using techniques including discounted cash flow analysis, comparable company analysis, comparable transaction analysis, and real option analysis.

Estimated alleged damages in securities class action litigations. Analyzed sources of difference and potential errors in estimates of damages by opposing experts.

In fraudulent conveyance actions, analyzed solvency, adequate capital, and the ability to pay debts.

Analyzed lost profits and other allegations of damages in complex business disputes.

Analysis of CDS price movements, bond prices and bond yields, and equity price movements. Evaluation of views of market participants including investment banks, credit rating agencies, and equity analysts.

Evaluated the business plans, projections, valuations and financial analyses conducted by management, investment bankers, fairness opinion providers, equity analysts and regulators for reasonableness and internal consistency. Benchmarked assumptions and projections to historical and industry standards.

Selected Specific Project Experience:

Filed report and provided deposition testimony regarding alleged damages to bond holders of a bank because of its relationship with a sovereign wealth fund.

Analyzed the financial performance and valuation of a European supermarket chain. Analyzed factors that contributed to the decline of its value.

Analyzed the causes of losses for a large private fund that employed investment strategies involving derivatives.

Analyzed the performance of the management of a large public utility.

Analyzed the valuation and estimated damages of a structured note product with underlying assets derived from a variety of collateralized debt obligations, and other derivative cash flows streams.

Analyzed the terms of a debt exchange to estimate the net benefits of the exchange to bondholders. Estimated alternative debt exchange ratios that would provide bondholders equivalent value. Used credit default swaps to estimate default hazard rates and identify the market perception of different risks.

Estimated damages resulting from allegedly undisclosed information in the acquisition of a medical devices company.

Estimated the fair market value of the equity interest in an Australian fertilizer producer.

Estimated the fair market value for financial reporting purposes of structured notes whose underlying assets were equity and commodity indices. Employed Monte Carlo simulations and closed-form solutions.

Implemented financial analyses including synthetic credit analysis and cash flow analysis to determine ability to pay debt. Analyzed market for debt offerings to determine market terms.

Valuation of the equity interest in a commercial real estate partnership fund.

Valuation of a minority interest in a privately-held chain of acute care facilities.

Valuation of a large airplane leasing company. Evaluated the reasonableness of assumptions related to aircraft demand, lease rates, and maintenance requirements.

Reviewed detailed liquidity stress tests conducted by a major investment bank and provided to regulators to identify errors and internal inconsistencies.

Estimated alleged damages for a high net-worth individual following dispute regarding execution of trades of structured notes. Estimated damages based on construction of alternative portfolios using realistic trading assumptions.

Estimated lost profits from alleged breach of contact for construction company.

Estimated damages to RMBS holders using alternative scenarios.

Analyzed the intra-day trades executed by a major broker dealer to determine whether the broker-dealer employed best execution practices. Trading involved non-convertible preferred equity securities.

Evaluated the Rule 157 investment valuation policies, procedures, implementation and results for a major investment bank. Identified errors, inconsistencies and examples of questionable assumptions.

Advised owner of a financial services subsidiary regarding the value of his remaining equity interest. Based on detailed cash flow analysis, recommended negotiating strategy that represented an 80% premium to offer by parent company. Assisted with negotiations, including development of presentations that outlined analysis. Final sale price represented over a 50% increase to parent company offer.

Estimated alleged damages to investors in mortgage-backed securities under alternative scenarios.

Estimated alleged 10b-5 damages to U.S. shareholders in Chinese beverage company due to alleged misrepresentations.

Estimated the valuation and alleged damages related to a large telecommunications infrastructure project during a time of rapidly changing pricing and demand forecasts.

Determined the solvency, capital adequacy, and ability to pay debts for a large merchant power company following a spin-off.

William P. Hrycay, CFA

Conducted event studies to determine whether there was market evidence of lost value in the context of an intellectual property dispute.

Determined the solvency, capital adequacy, and ability to pay debts for a large consumer products company following a spin-off.

June 2021